



Draft Meeting Minutes

Tuesday, October 25, 2005

Virginia Information Technologies Agency (VITA) Auditorium
110 S. 7th Street, Richmond

Attendance

Members Present:

James F. McGuirk, II, Chairman
James W. Hazel
The Honorable Eugene J. Huang
Hiram R. Johnson
Kenneth S. Johnson, Sr.

Walter J. Kucharski
Mary Guy Miller, Ph.D.
Scott D. Pattison
Leonard M. Pomata
Alexander Y. Thomas

Members Absent:

None

Others Present:

Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth
John Westrick, Office of the Attorney General
Jenny Hunter, Interim IT Investment Board Director

Call to Order

Chairman James F. McGuirk, II, called the meeting of the Information Technology Investment Board (ITIB) to order at 10:03 a.m. Chairman McGuirk introduced Alexander "Sandy" Thomas, who was appointed to the Board by Governor Mark R. Warner to replace Christopher G. Caine.

At the request of the chair, Jenny Hunter performed a roll call and confirmed the presence of a quorum.

Executive Session

CIO Performance Evaluation and Infrastructure PPEA Discussion

Scott Pattison made the following motion:

Mr. Chairman, I move that the ITIB convene a closed meeting pursuant to Virginia Code §§ 2.2-3711(A)(1) for the purpose of discussing the performance of the Chief Information Officer of the Commonwealth, and pursuant to Virginia Code §§ 2.2-3711(A)(6) and (A)(30) for the purpose of discussing the recommendations of the Infrastructure PPEA Steering Committee, the terms and scope of proposed agreements and to provide a recommendation to the Governor, as discussion of these matters in open meeting would adversely affect VITA's bargaining posture and negotiating strategy in the continuing negotiation and therefore its financial interest, and pursuant to Virginia

Code §§ 2.2-3711(A)(7), for the purpose of consulting with legal counsel regarding employee compensation rules and regarding the PPEA process and proposals. The CIO and certain staff whom he has selected for their familiarity with the above matters should attend the closed meeting, as their attendance will aid in our discussion.

Hiram Johnson seconded the motion. At the request of the Chairman, Ms. Hunter conducted a roll call, and the motion was carried unanimously..

The Chairman announced the Board would reconvene in open session at 1:30 p.m. or later.

The Board reconvened in open session at 2:41 p.m. Chairman McGuirk read the following statement:

The ITIB is now reconvened in open session, having completed a closed meeting. I will now conduct a roll call and will ask each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting.

At the request of the Chairman, Ms. Hunter called the roll, and the following members so certified: Jimmy Hazel, Eugene Huang, Hiram Johnson, Ken Johnson, Walter Kucharski, Jim McGuirk, Scott Pattison, Len Pomata, and Sandy Thomas.

Chairman McGuirk stated that any votes or recommendations from the closed meeting would come forward under the "Other Business" agenda item.

Chairman McGuirk re-introduced Alexander "Sandy" Thomas, who was appointed by Governor Mark R. Warner to replace Christopher G. Caine. Mr. Thomas is a partner with Reed Smith in northern Virginia, and has experience in intellectual property. He is a former Board member for Virginia's Center for Innovative Technology.

Chairman McGuirk announced changes to Board committee assignments as a result of new membership. Walter Kucharski and Sandy Thomas have agreed to serve on the Strategic Planning and Review Committee (SPARC). Sandy Thomas has also agreed to serve on the Legislative Review Committee.

Approval of the Minutes

Chairman McGuirk introduced the draft meeting minutes from September 8, 2005. Jimmy Hazel made a motion to approve the meeting minutes as recorded. The Honorable Eugene J. Huang seconded the motion. The motion was carried unanimously.

Mary Guy Miller and John Westrick joined the open session. In response to a question from Mr. Westrick, Chairman McGuirk confirmed the Board had followed the procedure to reconvene in open session, including member certification.

CIO Status Report

Chief Information Officer (CIO) of the Commonwealth Lemuel C. Stewart, Jr. introduced VITA's new Media Relations Director and Executive Director of the ITIB, Marcella Williamson. She was director of public affairs for the Department of Social Services. Prior to that, she was assistant director of public affairs for Chesterfield County. He thanked Jenny Hunter for serving as interim Board director since June.

Mr. Stewart provided a status report to the Board. Highlights of his presentation are:

- VITA is continuing to update legislators and other stakeholders on the infrastructure PPEA initiative, most recently the Senate Finance Committee.
- The new 2005 Auditor of Public Accounts (APA) "Review of Controls Over Information Security" was issued in September, replacing the former SAS 70 Audit. The Report has 4 findings. The Corrective Action Plan was presented to the Finance and Audit Committee for approval.
- The CIO granted project planning approval for 33 projects, in conjunction with the preparation of the 2005 *Recommended Technology Investment Projects* (RTIP) Report. The CIO granted project development approval to 4 projects.
- VITA is restructuring its service delivery model by regions from an agency-by-agency model. Drivers include dividing the Commonwealth into 3 regions, strengthening customer relationship activities through evolution of the Enterprise Service Director positions, and updating service agreements with agencies.

Mr. Stewart announced Chief Financial Officer (CFO) Austin Matthews has resigned from VITA effective November 1 to return to the consulting world. He thanked Austin for his contributions and service to the Commonwealth since 2003. Mr. Matthews thanked the Board for its support, and provided the CFO Update. Highlights of his presentation are:

- The actual financial results for fiscal year (FY) 2005 ended with a positive net change as a result of E-911 revenues coming in higher than expected. Results included \$254.7 million in operating revenues, \$248.6 million in expenses, and \$51.4 million in ending retained earnings.
- Internal service fund revenues and expenses over the last two fiscal years have remained fairly constant in the telecommunications area, which saw little change as a result of Integration. Revenues and expenses associated with computer services climbed steadily from May 2004, with a sharp spike between April and July 2005. The growth is attributed to integration activities, when medium and large agencies were transitioned. The spike is attributed to end-of-year spending.
- Over the same time period, cash balances started at approximately \$20 million at the start of FY04, and decreased, as expected, as a result of a time lag in the billing collections process. After the Board approved the change to the collections process, cash flow improved, and ended up higher than anticipated due to end-of-year spending, at \$17 million. The balance varies considerably—as of September 30, the cash balance was down to about \$5.7 million.
- Projections for FY06 call for approximately 16 percent growth in revenue and 18 percent growth in expenditures over FY05.
- Spending falls into three budget categories: Retain (existing activities to maintain services), Growth (activities to grow the business), and Transformation (activities to transform the business). The FY06 budget includes increased spending in the Growth and Transformation categories for enhanced customer service, PPEA, small agency support, and outreach to localities. The FY06 budget calls for decreased spending in the Retain category by scaling back maintenance and internal applications development; eliminating vacancies and subscriptions; and

implementing savings initiatives related to virtual server technology, staffing changes, and reduced contract costs.

- For FY04 through FY06, VITA projects cumulative savings of \$71.4 million and cost avoidance of \$31.7 million, for a total of \$103 million.
- The decision package for the upcoming FY06-08 biennial budget was approved by the CIO of the Commonwealth and submitted to the Department of Planning and Budget (DPB), with notification to the Board. There were 9 items, including 4 language only items and five items that have dollar impact. DPB has asked for an additional decision package for about \$500,000 in support of small agencies. VITA has requested the funding go into the budgets of the small agencies and not into VITA's budget.

In response to questions by Hiram Johnson, Mr. Matthews explained that the \$12.3 million and 6 positions requested would support the Virginia Geographic Information Network (VGIN) and E-911, specifically the digital orthophotography project.

- There are 2 new internal service fund rates in the areas of IT investment management (\$1.7 million) and security management (\$3.5 million) to fulfill *Code* mandates and respond to APA audit findings.
 - The IT investment management rates include 6 different fee levels, corresponding to agency and higher education institution size. They provide for agency oversight services for major IT projects and procurements, project management program training, and governance and enterprise programs.
 - The security management rate provides for security incident management, security policy, and risk management, as a monthly fee based on total IT assets.

Secretary Huang and Chairman McGuirk thanked Mr. Matthews for his service. Chairman McGuirk thanked Ms. Hunter for her exemplary dedication as interim board director. Ms. Hunter extended her thanks to the individuals who work behind the scenes to make Board meetings successful.

Committee Reports

Chairman McGuirk requested Committee reports.

CIO Evaluation Committee

CIO Evaluation Committee Chair Mary Guy Miller reported that on October 13, the Committee met with the CIO for a review of his progress on objectives for the last year.

Dr. Miller moved that the ITIB certify to the Department of Human Resource Management that the CIO, Lemuel C. Stewart, is performing at the level of extraordinary contributor, as the level is defined in the state evaluation system. Eugene Huang and Scott Pattison seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

Dr. Miller noted that the CIO's performance is truly extraordinary and his efforts are appreciated.

Finance and Audit Committee

Finance and Audit Committee Chairman Scott Pattison echoed the thanks to Austin Matthews, on behalf of the Committee, for his long hours, dedication, and extraordinary amount of work on behalf of the Board and VITA. The Finance and Audit Committee met October 13 to review financial results, operating budget, and audit activities.

The FY 2006 budget was revised to reflect the increase in agency spending at the end of the fiscal year and to take into account the final results from FY 2005.

Mr. Pattison moved that the ITIB approve the adjusted FY 2006 operating budget for VITA. Len Pomata seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

There are two proposed rates requiring Board approval before submission to the Joint Legislative Audit and Review Commission (JLARC). The proposed investment management rate totals \$1.7 million, to cover major IT project and procurement oversight and governance services.

Mr. Pattison moved that the ITIB approve the investment management rates for \$1.7 million for submission to JLARC. Dr. Miller seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

The second new rate category totals \$3.5 million for security management rates in the area of incident management, security policy, and risk management. Mr. Pattison said the Committee discussed at length the allocation of the rate. The proposal was based on a per-computer charge, and the Committee wanted the CIO and CFO to look at other alternatives.

Mr. Pattison moved that the ITIB approve the total amount for the proposed security management rates at \$3.5 million, but direct the CIO to review several alternative allocation methodologies and report on those to the Finance and Audit Committee and the full Board, along with the rate's recommended allocation prior to submission to JLARC. Jimmy Hazel seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

Mr. Pattison said the Committee reviewed audit activities. The Internal Audit Services Plan was revised to include one additional FTE and related funding to provide services to complete the plan.

Mr. Pattison moved that the ITIB approve the revised Internal Audit Services Plan. Ken Johnson seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

The APA issued a report in September on Security, with four findings. The draft corrective action plan was presented to the Committee and approved.

Mr. Pattison moved that the ITIB approve the Security Corrective Action Plan in response to the APA "Review of Controls Over Information Security" Audit Report. Jimmy Hazel seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

The Committee reviewed the 2005 APA Performance Audit Action Plan, where 11 of 15 actions were reported as completed and the remaining 4 actions were reported to be on schedule for completion. The Committee also reviewed the 2004 APA SAS 70 Audit Action Plan, and all 4 actions were reported as completed. Lastly, the Committee reviewed the

Action Plan update for the 2005 Small Purchase Charge Card Internal Audit. Thirteen items are reported complete, and the Committee approved revisions to due dates for the remaining 3 actions.

Mr. Pattison moved that the ITIB approve the amended Small Purchase Charge Card Internal Audit Action Plan. Dr. Miller seconded the motion. There being no discussion, the Chairman called for a vote. The motion carried unanimously.

Legislative Review Committee

Legislative Review Committee Chairman Hiram Johnson reported the Committee met in the morning, primarily for the purpose of orienting new Committee members. The biennial budget items are the most important items going forward in the upcoming General Assembly session. The Committee is following two bills, including one related to fees for standards development for circuit courts and one for updating reporting deadlines to match reporting cycles. The Committee is putting together information packets following the November election for new General Assembly members and their staffs, and for the transition team for the incoming gubernatorial administration.

Strategic Planning and Review Committee

SPARC Chairman Len Pomata reported the SPARC is scheduled to meet prior to the next Board meeting. There are two sets of guidance documents that need the attention of the Board. The first is the *Virginia Information Technology Accessibility Standard* to ensure agencies meet the minimal accessibility requirements for technology for individuals with disabilities. The second set is the *Web Site Policy*, *Web Site Standard*, and *Web Site Guideline* to increase government Web site accessibility and ease of use through a common look and feel for agency Web sites.

The CIO will follow the standard process for Board members to have a five-day period to review the documents. The SPARC will provide a full report at the next Board meeting.

In response to questions from Chairman McGuirk, both sets of guidance packages will be re-posted for Board consideration, allowing a full, five-day period for review.

Other Business

Chairman McGuirk asked the Board members for any new business. Chairman McGuirk noted the Infrastructure PPEA process is new and has been a monumental effort, including many investments of time and money on both sides. The Board recognizes the effort brought forward for the Commonwealth in this process, and that will be brought forward in future efforts.

Chairman McGuirk said the review process was quite rigorous, requiring a great deal of time, effort, and participation. On the Commonwealth side, the evaluation process included more than 60 people from 14 agencies. The review process was not about a technology decision—it was about a business decision and a business relationship.

On behalf of the Board, Chairman McGuirk recognized Infrastructure PPEA Program Manager Fred Duball, who drove the process forward, for his effort and leadership.

Chairman McGuirk reiterated the most important business items in reviewing the proposals. The potential partnership must ensure:

1. The Commonwealth has the technology infrastructure to carry it into the future.
2. One of the best employee programs that can be acquired.
3. A strong economic development program for the Commonwealth.
4. Better citizen services with a more robust technology program without any new tax dollars.

The Board recommendation is another step in the process, and is not a contract award. The Board's recommendation will need to be carried forward from the CIO to the Governor before a contract award is made.

Chairman McGuirk said all information will be available to the public upon contract award, the final step of the PPEA process.

Jimmy Hazel moved that the ITIB recommend to the Governor approval of the Interim Comprehensive Infrastructure Agreement, as submitted by the Chief Information Officer of the Commonwealth, between the Commonwealth of Virginia and Northrop Grumman. Len Pomata seconded the motion. There being no discussion, the Chairman called for a roll call vote. At the request of the Chairman, Ms. Hunter called the roll, and the motion carried unanimously.

Public Comment

Chairman McGuirk solicited public comment. There was no public comment.

Adjournment

Hiram Johnson moved to adjourn the meeting. Ken Johnson seconded the motion. Chairman McGuirk adjourned the meeting at 3:34 p.m.